

Murray N. Rothbard: Giant of Liberty

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Murray N. Rothbard is a scholar of unique, indeed, monumental achievements: the founder of the first fully-integrated science of liberty. Consider, first, his accomplishments in economics. His Ph.D. dissertation from Columbia University—*The Panic of 1819*—showed how the Bank of the United States, the Federal Reserve's ancestor, caused the first American depression. It remains the only in-depth historical account of that particular monetary debacle.

In *America's Great Depression*, still the most definitive work on the subject, Rothbard used Austrian trade cycle theory to show that the Federal Reserve caused that economic calamity, and that other government interventions prolonged and even deepened the Depression. In addition, the first two chapters present the most clear and convincing explanation of the Austrian theory of the trade cycle in existence.

Both books utilize tools drawn from the great tradition of Austrian economics—Carl Menger's theory of the development of monetary institutions, Eugen von Böhm-Bawerk's theory of capital and the time-preference theory of interest, and Mises's trade cycle theory and method—perfect each, and weave them together into a systematic praxeological model. He succeeded not only in explaining cyclical fluctuations caused by central bank intervention, but also proved the case for the gold coin standard, no central bank, 100% reserves, and laissez-faire.

After Rothbard's masterful integration, economists can no longer dismiss recessions and depressions as an "inevitable" part of the market process. Instead, he showed, they are

caused by central bank inflation and the corresponding distortion of interest rates, malinvestment of capital, theft of savings, and price increases that go with it. Government, of which the central bank is only one arm, is the real source of business cycles.

Rothbard was also the first to explode the fallacy of distinguishing between monopoly prices and competitive prices. This distinction makes sense only in neoclassical pricing models, where businessmen charge higher and higher prices in the inelastic portion of consumers' demand curve. But these static models have nothing to do with the dynamic market process. In the real world, we can only distinguish between free-market prices and those controlled by the government.

This discovery has momentous policy implications: in a free market, where we never see "monopoly (non-competitive) prices," there can be no unjust monopoly profits. This destroys the entire neo-classical justification of anti-trust policy. Monopolies do exist, Rothbard shows, but only when government erects a barrier to entry into the market by granting some firm or industry a special privilege.

Rothbard also revolutionized the entire field of utility and welfare economics—and laid a foundation for other Austrian scholars to build upon—by showing that utility is something that we can know only by observing individual preferences revealed through human action. Utility, a strictly ordinal and subjective concept, cannot be aggregated among individuals, and thus there can be no social utility.

Because of Rothbard's irrefutable theory of utility and demonstrated preference, neo-classical welfare economics can no longer be used to justify state planning. When individuals are free to trade without interference from government, we know that each party expects to benefit from the exchange, i.e. maximize his own subjective utility, or the parties would not exchange in the first place. His conclusion: free markets maximize utility and welfare, whereas govern-

ment intervention, by the very fact that it forces people to behave in ways in which they otherwise would not, only diminishes utility and welfare. It was this foundation that allowed Rothbard to integrate a rigorous theory of property rights with a scientific theory of economics. Today, others within the profession are trying to do the same, but they will not succeed so long as they cling to theories of efficiency built around faulty utility and welfare concepts.

In his great work *Man, Economy, and State*, Rothbard provides a rigorous defense of economic science and the pure logic of action. In the by-gone days of "real economics," every scholar aspired to write a treatise covering the whole subject. Since the Keynesian and neo-classical warping of the profession, however, this has gone out of fashion, and *Man, Economy, and State* is the last such great work. In it, clearly and logically, Rothbard deduces the whole of economics from its first principles. It is a tour-de-force unmatched in modern economics.

If only his contribution to economics in general were considered, his refutations of neo-classical, socialist, interventionist, and Keynesian fallacies would put him head and shoulders above all other living economists. If only his accomplishments in the field of Austrian economics were taken into account, his place in the firmament would be secure. For it is an understatement to say that he is the most productive of the students and followers of Ludwig von Mises. But his attainments in economics are only the tip of the iceberg. His productivity as a historian is more than sufficient to establish him as a leader in that field as well. In addition to many scholarly articles, his four-volume colonial history of the United States, *Conceived in Liberty*, shows that libertarian ideas have been an American staple since almost the earliest days, and that the American Revolution was very much a libertarian affair. He shows that the received wisdom in history is almost always wrong, since it usually reflects the state's bias.

Permeating all of Rothbard's historical writing is a brilliant and original revisionism, a unique and rigorous refusal to accept uncritically the official version. (He is also one of the few historians ever to place his presuppositions, his theory of history itself, on record. He does so properly in the introduction where it belongs, and not all throughout the book in the form of implicit presuppositions.) Whether discussing monetary history, the history of economic thought, the Progressive Era, the New Deal, World War I, or any of his other areas of expertise, Rothbard eruditely and unerringly turns the statist worldview upside down, in search of a commodity unusual among modern historians—truth.

But his exploits in economics and history, extraordinary as they are, are matched by what he has done for the cause of liberty. If he is an eminent historian, and the world's leading Austrian economist, he is no less than the father of libertarianism. He is, as even *National Review* has acknowledged, "Mr. Libertarian." In his *Power and Market*, Rothbard develops a comprehensive critique of government coercion. He vastly expanded the scope of the theory of intervention, and developed three useful categories: autistic, binary, and triangular. Autistic intervention prevents a person from exercising control over his own person or property, as with homicide or infringements on free speech. Binary intervention forces an exchange between two parties, as in highway robbery or income taxes. Finally there is the triangular mode, in which the government "compels a pair of people to make an exchange or prohibits them from doing so," as in rent control or minimum wages. He carefully outlines the deleterious effects of every possible intervention in the economy, and is especially insightful in analyzing the harmful effects of taxation.

In *For a New Liberty*, Rothbard leaves the world of theory and gets down to brass tacks. How would a totally free society actually function? While it is always impossible to predict the future exactly, he shows how the challenges of education,

poverty, private roads, courts, police, and pollution might be dealt with under a complete laissez-faire system. In his masterful *The Ethics of Liberty*, Rothbard deals with the hard questions: the criminal system, land redistribution, the vexing problem of children's rights, bribery, boycotts, lifeboat situations; his critiques of other, less-pure advocates of the freedom philosophy such as Hayek, Nozick, and Berlin are alone worth the price of admission. Nor must we lose sight of yet another of Rothbard's particular excellences: his masterful ability to integrate intellectual thought, to see connections where others see only a bewildering complexity, to weave the threads from all of knowledge into a shield which can preserve human rights. He has long called for, and has indeed been the leading exponent of, what he calls the "interdisciplinary study of liberty." From this perspective, the disciplines of economics, history, law, philosophy, sociology, etc., must all be harnessed together to comprise a "seamless web" of liberty. All must be utilized in the glorious struggle to promote the free society, with the teachings of none remaining inconsistent with any other. Were Rothbard's accomplishments limited merely to any one of the many disciplines he has so eloquently mastered, we could be very laudatory. But when we reflect on the fact that he has already made significant contributions to each of them, of the sort that any person would be justly proud to call an entire life's work, we must simply stand in awe.

And when we realize that Rothbard has not only spread himself over practically every social science, but also has integrated them into a moral and intellectual product never before known, that he has, in effect, created an entirely new academic discipline of liberty, then all we can say is that we are delighted, proud, and honored to know him, and to be his students.

—An Excerpt From *Man, Economy, and Liberty*